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RUCPDO/DEPT OF COMMERCE WASHDC
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S E C R E T SECTION 01 OF 03 BRASILIA 000847

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DEPARTMENT FOR PM AND WHA

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SUBJECT: U.S. AIRCRAFT IN CONTENTION TO BE BRAZIL'S NEXT
PRIMARY MULTI ROLE FIGHTER

REF: A. A) BRASILIA 175
 1B. B) BRASILIA 643
 1C. C) EMBASSY BRASILIA-STATE-DTSA E-MAILS
 1D. MAY 2008
 1E. D) BRASILIA 638
 1F. E) BRASILIA 429

Classified By: A/DCM Frank Manganiello, reason 1.4 (b) and (d)

1. (S/NF) SUMMARY. On June 10, MLO Brasilia obtained an unofficial copy of a Request for Information (RFI - passed electronically to Washington agencies) from the Brazilian Air Force (BRAEF) concerning the upcoming competition for Brazil,s next fighter aircraft. One U.S. origin fighter, the F-18 Super Hornet, is under consideration, along with the Eurofighter Typhoon, the SU-35, the Gripen and the Rafale. As noted in reftels, there are a number of political factors working against a decision to purchase the F-18, but post believes that there is also a strong case to be made for the Hornets and that there are several steps the USG should take immediately to maximize the chance of Boeing winning the contract. In addition to the economic benefit to a U.S. business, being chosen to supply Brazil,s main combat aircraft for the next generation would carry important political benefits and provide a foundation for improved defense cooperation. END SUMMARY.

2. (S/NF) Brazil is seeking replacements for the majority of its obsolete combat aircraft, which have been plagued by readiness problems. During the recent visit of the George Washington Carrier Strike Group, the Brazilian Navy was unable to muster a single working fighter for a joint flight with Navy F-18s. Key points of the RFI have been leaked to the British journal "Flight," but the details remain close-hold. While the RFI contains considerable detail on performance requirements for the new fighter, post believes that the key criterion for the decision will be the economic benefit to Brazil, i.e. the offset packages to be offered by bidders. With no immediate airborne threats to Brazil, combat lethality will be a lesser consideration, although the GOB will also consider what they perceive to be the prestige of owning a modern fighter. We believe that the lesser prestige of an older design led to the F-16 being left out, even though it could fulfill most Brazilian defense requirements at a lower cost than other options.

PROS AND CONS

3. (C/NF) There are several factors that favor the success of the F-18 sale and several that could thwart it.

Pro:

- The F-18 has a proven combat record with unmatched reliability and durability.
- The likely beneficiary of any offsets, Embraer, would find the opportunity to enter into a business partnership with Boeing desirable, especially if Boeing intends to offer additional cooperation in commercial aviation.
- Many members of the BRAF would be eager for closer cooperation with the U.S.
- The F-18 has been selected for use by Canada, India and Australia, large countries with similar operational requirements.

Con:

- Key members of the Brazilian political leadership believe it would be to Brazil's advantage not to be dependent on the U.S. for military technology. France and Russia are seen as more desirable partners.
- Government owned competitors could be able to offer a broader range of offsets.
- There is a perception in Brazil, encouraged by the Ministry of External Relations, that the U.S. refuses to transfer technology.

14. (C/NF) The negative factors cited above will make a successful outcome difficult, but post recommends that the USG make the greatest possible effort to achieve a sale. Although the RFI states that the BRAF will make its decision

BRASILIA 00000847 002 OF 003

on the factors cited, it is likely that political considerations, some driven by anti-U.S. sentiments, will also come into play. The political benefits to be gained by a clear affirmation of U.S.-Brazilian defense partnership would be enormous. Even an unsuccessful effort could help undermine the assumption that the U.S. is unwilling to transfer technology.

COFFEE IS FOR CLOSERS

15. (C/NF) If we want to close the deal with the traditional cup of Brazilian coffee, there are several ways in which U.S. policy can help Boeing's case pending a formal request for advocacy. As stated above, the most important determinant of which aircraft Brazil ultimately chooses will be the offsets, and Boeing will be responsible for making its own sales pitch in this regard. The most important step the USG can take is to eliminate the idea that the U.S. does not transfer technology. When Brazilians tell us this, it is apparent that there is no clear understanding of what technology transfer means or why they believe the U.S. doesn't do it. Boeing's proposal should state specifically that sale of the planes would include full technology transfer. In the meantime, we can help improve Brazilian understanding by providing a briefing to the BRAF and Defense Ministry of U.S. tech transfer policies with examples of how we have managed arrangements with other friendly countries. In doing so, we should be prepared to answer suggestions that other nations, tech transfer policies are more liberal than ours. As the Defense Minister has personally raised the case as an example (inaccurately) of U.S. restrictiveness, we should consider waiving the proviso on the Honeywell inertial navigation systems (ref c) so that the export licenses matches those already approved for both Brazil and Colombia.

16. (C/NF) In addition to the key issues of offsets and tech transfer, we can help make the case for the sale of U.S. aircraft by ensuring the Brazilian are familiar with the performance advantages of the Super Hornet. We can begin doing so during the July visits by Minister of Defense Jobim and Air Force Chief Saito to the U.S. There are already plans for Jobim to have a demonstration flight in a Super Hornet during his visit. A group of Brazilian F-5s will

participate in this year,s Red Flag exercise in Nevada. We should ensure that the Brazilian pilots and crews get as much exposure as possible to the F-18 while there, including to any F-18s being operated by allied air forces. Should the F-18 make the Brazilian short list (to be announced in late August), we should ensure that Brazil has an opportunity to work with Super Hornets again at next year,s UNITAS. The Brazilian navy was impressed with the F-18,s performance at this year,s UNITAS, and the participation once again of a carrier with its air wing will provide another opportunity for the Brazilian command to see the capabilities the Super Hornet provides in action.

COMPETITORS: BEWARE THE GRIPEN

17. (C/NF) While the BRAF has its reasons for including each of the potential bidders in the RFI, there are several key considerations with the non-U.S. aircraft that could prove important for Brazil,s final decision. While most of Brazil,s pilots would prefer not to have to fly Russian-made planes, they would check the prestige box by giving Brazil the same fighters as neighboring Venezuela. The possible attractions of French planes are discussed in ref b. With successful sales campaigns in South Africa, the Czech Republic and Hungary, the Saab Gripen has emerged as a popular alternative to U.S. aircraft. As stated above, the most important consideration for the Brazilians will be the offset package, and Saab has built its success on its ability to provide the sort Brazil is seeking. Although no manufacturer is likely to propose transferring aircraft production facilities to Brazil (at least not for the 120 fighter fleet Brazil is considering), Saab, and the Swedish government may be able to come up with offsets to create jobs in Brazil,s manufacturing sector that would prove attractive. It should also be noted that the Gripen contains U.S. origin components, including a GE engine, that could potentially become a factor in advocacy efforts.

BRASILIA 00000847 003 OF 003

WHY NOT THE JSF?

18. (C/NF) The F-35 Joint Strike Fighter (JSF) is conspicuous in its absence from the Brazilian list for fighter purchases. In the past, Brazilian Air Force personnel, including Chief of Staff Saito, have indicated that the F-35 would be preferred in the long term. In discussions with post, the BRAF has expressed the view that the J35 would be too expensive to allow purchase of an adequate number of aircraft. Brazil is also concerned that the structure of the JSF consortium would make it difficult for new members to join and would prevent delivery of the aircraft in the timeframe required by the RFI.

COMMENT

19. (S/NF) With resources being made available for defense modernization for the first time in a generation (see ref a), the purchase of Brazil,s next fighter aircraft will have effects far beyond a fat contract for the manufacturer. Brazil,s Defense Minister and Air Force leadership would prefer a closer relationship with the U.S. as a partner in guaranteeing hemispheric stability. Purchase of U.S.-origin fighter aircraft would represent a major investment of resources in such a partnership and would be a decisive move away from recent Brazilian leaders, portrayal of the U.S. as more a potential adversary than a partner. While the U.S. Air Force manages cooperation with partners flying the other aircraft under consideration, interoperability is obviously much stronger when both forces fly the same aircraft. With progress on pol/mil engagement stalled, a BRAF decision to purchase fighters from a U.S. manufacturer will give Brazil a monetary stake in improving cooperation in the area of security.
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